



Travel Industry Priorities 2018-2019

Pre-Budget Submission

August 2017

Tourism's contribution to the economy

The Tourism Industry Association of Canada (TIAC) is the only national organization representing the full cross section of the tourism industry in Canada. Our membership is derived of businesses representing transportation, accommodations, destinations and attractions from coast to coast to coast. TIAC's mission seeks to encourage a healthy Canadian tourism market by increasing international visitation to Canada.

With over 200,000 businesses in Canada employing 1.7 million Canadians, the tourism industry is a major economic driver worth \$91.6 billion and is Canada's largest service export, generating an estimated \$20 billion in export revenues annually. Tourism is Canada's largest employer of youth—over half of the workforce is under the age of 35.

Globally, tourism is the world's fastest-growing sector; the United Nations World Tourism Organization (UNWTO) estimates that 1.2 billion people travelled the world in 2016. Canada welcomed nearly 20 million international travellers in 2016, and 2017 continues to show growth. Still, this leaves Canada in 18th position as an international destination, outpaced by emerging markets like Saudi Arabia. As the global travel market flourishes, Canada must take steps to improve its competitiveness on the international stage. In order for Government to meet its stated growth targets as established in the recently released New Tourism Vision (NTV) and for Canada to reach its full potential during a period of worldwide growth, we must correct policies that impede Canada's competitiveness, or we will continue to lose ground in global rankings.

Canada's competitiveness is at risk

Canada is a destination with natural beauty, diversity, and quality infrastructure that is benefitting from favourable brand recognition. Over the last year, Canada has enjoyed praise and attention from numerous publications and has been touted as a must-see destination from Lonely Planet, the New York Times, National Geographic and Condé Nast, among others. While Canada's 150th year is widely viewed as a key component of Canada's attractiveness in 2017, Canada's openness and mix of urban and remote destination offerings are also widely cited as reasons to visit. Destination Canada (DC) has played a key role in developing the Canada brand to international visitors. The tourism industry's collaborative investments in marketing campaigns also signal that our industry is proactively cooperating in an attempt to increase international arrivals.

TIAC and our stakeholders were encouraged by government commitments to tourism in Budget 2017. The welcome announcement of Destination Canada's ongoing funding of \$95.5 million brings stability to Canada's marketing strategy. This allows for continued alignment with partners and the maintenance of our current market share. Other measures, including improving tourism statistics collection through Statistics Canada, investments in Parks Canada and development funds for Aboriginal tourism, will no doubt garner positive impacts on the tourism sector in coming years. While these commitments support continued growth, much more is needed to ensure that industry and government can achieve the goals set out in the New Tourism Vision.

Canada's New Tourism Vision (NTV): From targets to action

TIAC was pleased with the May 2017 announcement of the Government of Canada's New Tourism Vision (NTV) by the Honourable Bardish Chagger. It presents goals for tourism growth between now and 2021 focusing on the areas of *Marketing, Access and Product* (M.A.P.), mirroring TIAC's longstanding advocacy priorities. The action items outlined in the NTV's M.A.P. aim to reach the Vision's three primary goals:

1. Canada's re-entrance to the UNWTO Top 10 by 2025
2. 31% increase in international visitors by 2021 (\pm 6.2 million additional travellers)
3. Double Chinese tourism by 2021 (1.25 million goal)

The tourism industry is enthusiastic about these goals and eager to see them realized. **However, the measures outlined in the NTV will not be sufficient to meet these goals.** Re-entrance to the UNWTO Top 10 will require an increase of approximately 16 million international visitors at current levels; while increasing international and Chinese arrivals is possible, a number of barriers threaten success within this timeline. With this in mind, TIAC submits that Canada must address competitive barriers to tourism in Canada in order to fulfill the goals of the New Tourism Vision.

Recommendation 1: To ensure the NTV goals are met, TIAC recommends that the government pursue a 'whole of government' approach to tourism policy and commit to industry consultation on all policy changes impacting NTV outcomes.

Recommendation 2: To capitalize on our current momentum and to fulfil the NTV's UNWTO Top 10 target by 2025, Canada will need more competitive investment in marketing. TIAC recommends introducing a performance-based funding mechanism to better serve industry needs.

Accessing Canada: Addressing barriers to entry

In a competitive global travel market, travellers consider many factors before deciding where to travel. Though Canada is a 'bucket list' destination for many travellers, potential international visitors may be deterred by the practical aspects of travelling to our country. The visa application process remains an area of significant concern.

TIAC firmly believes that maintaining safe and secure borders is a priority for Canada's security. Nevertheless, there are ways of maintaining this safety without burdening visitors with unnecessarily complex visitor visa applications. During TIAC's 2016 mission to China, the visa application process was cited as an impediment to selling more Canadian product.

Reducing barriers to entry to Canada has proven to have an immediate and strong impact on international travel. The best and most recent example of this is the abolishment of the Mexican visa and moving Mexican citizens to the electronic travel authorization program (eTA). Mexican travel to Canada in 2017 has brought in **128 thousand visitors to date - 58.9% more than in 2016**. It is estimated that this change will bring **\$467 million in traveller spending in 2017**. The industry is confident that the implementation of the eTA system will continue to reduce travel barriers and bring more people to Canada in a simple, cost-effective and secure way.

Recommendation 3: To achieve the NTV goal of a 31% increase in international visitors by 2021, TIAC recommends that low-risk travellers in all DC target markets requiring an entry visa be moved to the eTA program for leisure/business travel purposes.

Recommendation 4: To achieve the NTV goals for Chinese visitation and increasing international visitor totals, TIAC recommends that the visitor visa process be simplified and applications be made available in Chinese & other native languages; additionally that the government expedite the expansion of new visa application centres (VACs) in China to combat long processing times and capitalize on the Canada – China year of tourism in 2018.

Recommendation 5: With the movement towards mandatory biometric information collection during the visa application process, TIAC recommends that the government invest in new technologies and innovations that will accelerate this process in market.

Exploring Canada: Addressing cost competitiveness issues

Canada is becoming a more popular destination, but the cost of travel to and within our country remains very high. Cost competitiveness is important in today's travel market: taxes, levies, and fees on tourism products inflate the price of tourism goods to international buyers. This can lead to "sticker shock" when the final price of travel to Canada is seen compared to other destinations.

According to the World Economic Forum Travel Competitiveness report, Canada ranks 97th out of 141 countries in cost competitiveness. The report also shows that Canada remains #1 in our airport infrastructure, but the cost of long-haul flights to Canada ranks us 77th of 80 countries, with air travel costing \$35.93USD/100km in 2017. While we are the best equipped in the world to welcome visitors by air, Canada is not meeting its potential—largely because travellers are burdened with paying government-imposed taxes, levies and fees.

Canada is one of the only countries in the world that charges tax to foreign visitors buying tourism products. This makes tourism the only export that is not zero-rated (tax removed). The 2017 budget measure to repeal the tax rebate on accommodations in tour packages added to this burden significantly, negatively affecting international sales for businesses of all sizes. Despite industry callout

to the government on this measure, no action has been taken to make Canadian tourism products more competitive in the international market.

Recommendation 6: TIAC recommends that the government take immediate and concrete measures to address cost competitiveness issues, including through the ongoing Transportation Act Review to reduce taxes, levies and fees that hamper Canada's competitiveness.

Recommendation 7: TIAC recommends that tourism become a zero-rated export product to reduce costs to foreign tourists and increase the number of international arrivals to Canada.

Creating a positive visitor experience: Addressing barriers to capacity and growth

As we strive to meet international visitor growth targets, we must be prepared to meet their expectations. The tourism industry has been facing an ongoing labour deficit with alarming levels of unfilled positions. In its Labour Supply and Demand report, Tourism HR Canada estimates that there will be 240,000 unfilled tourism positions by 2035, costing the economy \$31.4 billion in foregone revenues and over \$4 billion in taxes. Labour problems hinder the ability of businesses to grow and/or operate at full capacity. This is exacerbated by a skills gap, low public opinion of service-level jobs, the government's categorization of most tourism jobs as 'low-skill', and the use of broad economic regions making foreign recruitment inaccessible.

Tourism is a top employer that pays at rates equivalent to other service sectors. Tourism employs more Canadian youth, Indigenous people and under-represented labour groups than most other economic sectors in Canada, providing essential and transferable skills needed for today's workforce. Hiring Canadians first is a priority for tourism employers. However, access to skilled workers in tourism is crucial for businesses to meet the needs and expectations of domestic and international visitors. Currently, the Canadian Experience Class and the Federal Skilled Worker Program do not permit 'low-skilled' applicants. Therefore, foreign workers—even if they have access to a permanent job and have a clean record during previous stays—are not eligible for the economic immigration streams in Canada. TIAC affirms that if employers can prove sufficient labour need, regardless of occupational skill level, they should be able to access workers through temporary or permanent immigration streams.

In addition to labour supply issues, the industry acknowledges the need to adopt business practices that welcome more international visitors. Availability of skills training specific to tourism, including market readiness and capacity-building programming, needs to be prioritized so that businesses can adapt to a larger international client base. Many federal workforce development programs focus on skills that do not apply to the tourism sector.

Recommendation 8: TIAC recommends that the government provide a permanent solution to address labour supply gaps in predominantly tourism-based regions with low unemployment rates and discontinue the use of broad, poorly defined economic regions when calculating Labour Market Impact Assessments.

Recommendation 9: TIAC recommends that the government address skills gaps by granting Canadian-educated international students in tourism-related fields access to permanent immigration opportunities.

Recommendation 10: TIAC recommends that the government help businesses address labour capacity by supporting timely labour market research and industry-relevant export readiness and workforce development programming.

Conclusion

The upward trend of global travel sector growth has brought increased competition among destinations and a need for differentiation. As countries compete for the next generation of international travellers—those who spend more, and demand better—we need to address our ability to be accessible and cost competitive while meeting visitor expectations. Despite recent policy wins, visitor gains and extraordinary media coverage, global competitiveness rankings show Canada sliding. Businesses' ability to operate at full capacity, the high cost of air travel and the challenge of getting more Canadians to work in tourism continue to impact the industry.

It is during this period of growth that industry and government should be working together to refine the policies that can unlock Canada's competitiveness and introduce new opportunities in the fastest-growing sector in the world.